



AlliedSignal Inc.  
Law Department  
P.O. Box 2245  
Morristown, NJ 07962-2245

October 31, 1997

RECEIVED  
NOV 03 1997  
PAUL E. MOSLEY

Paul Mosely, Esq.  
O'Melveny & Myers  
610 Newport Center Drive  
Suite 1700  
Newport Beach, CA 92660-6429

Dear Mr. Mosely:

Due to the press of business over the last month and a fair amount of internal reorganization, I have been delayed in responding back to you in connection with the conversations we recently had about your client's position regarding possible activities at McCaffrey Street and Liberty Street.

As I understand your client's position, the scope of work which was set forth in my letter to you dated October 1, 1996 should be expanded to include the removal of several other areas of soil at Liberty Street (as identified in the photographs forwarded to me by David Yopak) and the performance of additional groundwater sampling at McCaffrey Street. As I explained in my letter of October 1, we do not believe that Section 14.1(e) of the Agreement referenced in my letter triggers an indemnification obligation on the part of AlliedSignal to perform this work. Again, however, we are willing to move forward on a track that resolves this matter without the expenditure of unnecessary effort on the part of both parties. To that end, AlliedSignal is prepared, with respect to Liberty Street, to have its contractor excavate this fall the soil identified in Mr. Yopak's photographs, as well as the soil originally identified in my letter of October 1. With respect to McCaffrey Street, AlliedSignal is prepared to have its contractor obtain this fall additional water samples from MW-2M, MW-5M and an appropriate background well and analyze those samples for TCE. As a condition for commencing this work, Furon must agree that performance of this work by AlliedSignal fully satisfies all aspects of the claim concerning Environmental Conditions set forth in your letter of July 2, 1996.

So that we may proceed to move expeditiously this fall, please ensure that an authorized representative of Furon Company agrees to our proposal by promptly signing in the space designated below and having the signed letter returned to me.

Very truly yours,

Gordon D. Quin  
Assistant General Counsel

Agreed to and accepted by:

\_\_\_\_\_  
on behalf of Furon Company

c: Al Labuz  
Mike Prokop

November  
3rd  
1997

**DRAFT**

(714) 669-6906

291,215-064  
NB1-332755.V1

**VIA FACSIMILE**

Gordon D. Quin, Assistant General Counsel  
AlliedSignal Inc.  
Law Department  
P.O. Box 2245  
Morristown, NJ 07962-2245

Re: Former AlliedSignal Facilities - McCaffrey Street and Liberty Street  
Locations

Dear Gordon:

Thank you for your letter dated October 31, 1997. As we discussed during our last phone conversation, it is also our client's desire to resolve the soil and groundwater matter without unnecessary expenditure or effort. Therefore your offer to remove soil and sample groundwater is appreciated and would, we believe, likely resolve the issues set forth in our claim for indemnification dated July 2, 1996.

However, while we believe a measured response is appropriate, until the work is performed and the results of the water samples evaluated, neither party will know whether any follow-up work will be needed. For example, if an additional hot spot is identified during soil excavation, the parties would need to discuss the disposition of the hot spot.

As such, we are unable to confirm in advance that performance of the agreed upon work will satisfy all aspects of the indemnity claim. Nevertheless, in light of

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our mutual conversation with the consultant who is expected to perform the work, it is our view that the performance of the work in the manner described provides both parties the best opportunity to quickly resolve the matter.

Please let us know as soon as possible whether you agree to perform the work on this basis.

Sincerely,

**Paul E. Mosley  
of O'MELVENY & MYERS LLP**

**PEM:et**

**cc: Mr. David Yopak  
Donald D. Bradley, Esq.**